# GASB Statement 34 and Infrastructure Assets

Dennis H. Ross. P.E.
Director of Professional Development
American Public Works Association

www.apwa.net

# Why GASB Statement 34?

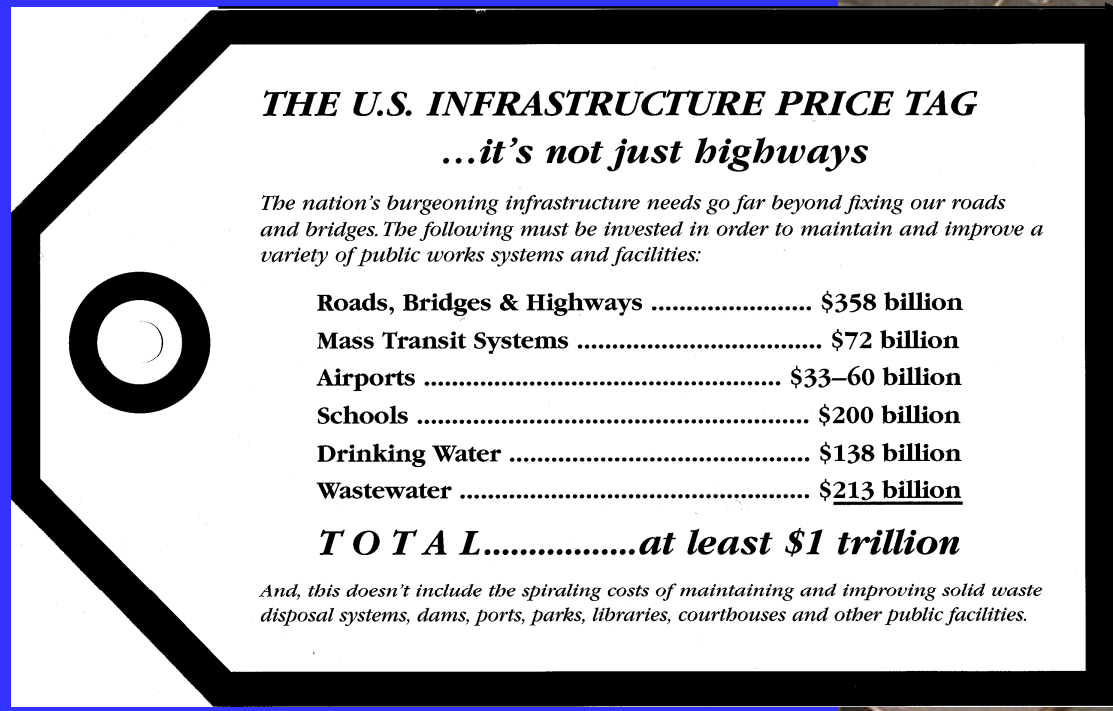
- One of GASB's Original Missions
- Promote Long-Term Preservation of Assets
- Accountability and Stewardship

# Why GASB Statement 34?

- Additional Information for Users
  - Citizens
  - Elected Officials and Agency Managers
  - Investors
  - Auditors
- Accounting More Like Business
- Full Accrual Accounting

# Current Backlog of Deferred Infrastructure Maintenance -- a National Perspective

- Rebuild America Coalition
  - 59% of Roads in Poor to Fair Condition
  - 31% of Bridges Deficient or Obsolete
  - 1/3 of School Buildings Need Repair
  - 12% of Dams are High-Hazard due to Deterioration



***THE U.S. INFRASTRUCTURE PRICE TAG***

***…it's not just highways***

*The nation's burgeoning infrastructure needs go far beyond fixing our roads and bridges. The following must be invested in order to maintain and improve a variety of public works systems and facilities:*

| | |
|---|---|
| **Roads, Bridges & Highways** | **$358 billion** |
| **Mass Transit Systems** | **$72 billion** |
| **Airports** | **$33–60 billion** |
| **Schools** | **$200 billion** |
| **Drinking Water** | **$138 billion** |
| **Wastewater** | **$213 billion** |

***T O T A L.....at least $1 trillion***

*And, this doesn't include the spiraling costs of maintaining and improving solid waste disposal systems, dams, ports, parks, libraries, courthouses and other public facilities.*

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# Reducing the Gap in Management Philosophy Between Proprietary and Governmental Funds

- Proprietary funds have traditionally accounted for infrastructure assets
- Enterprise funds often have lower deferred maintenance due to dedicated revenue sources

# Capital Asset Definition

"Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period."

# “Infrastructure” definition

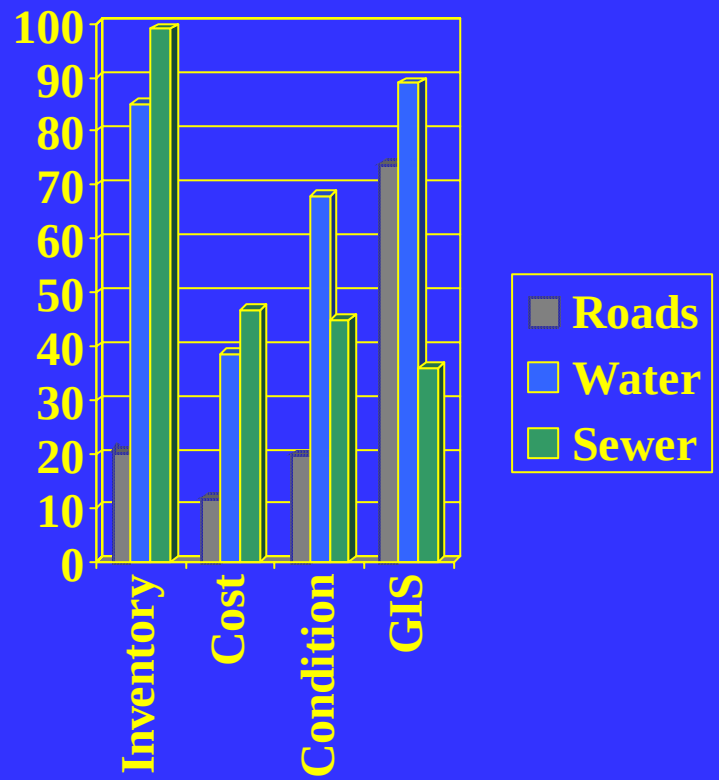
“**Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets**. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.”

# Infrastructure Reporting Requirements

- Report at historical cost
- Report net of accumulated depreciation
- Depreciate over the useful life of the asset
- Report depreciation expense using a systematic and rational approach

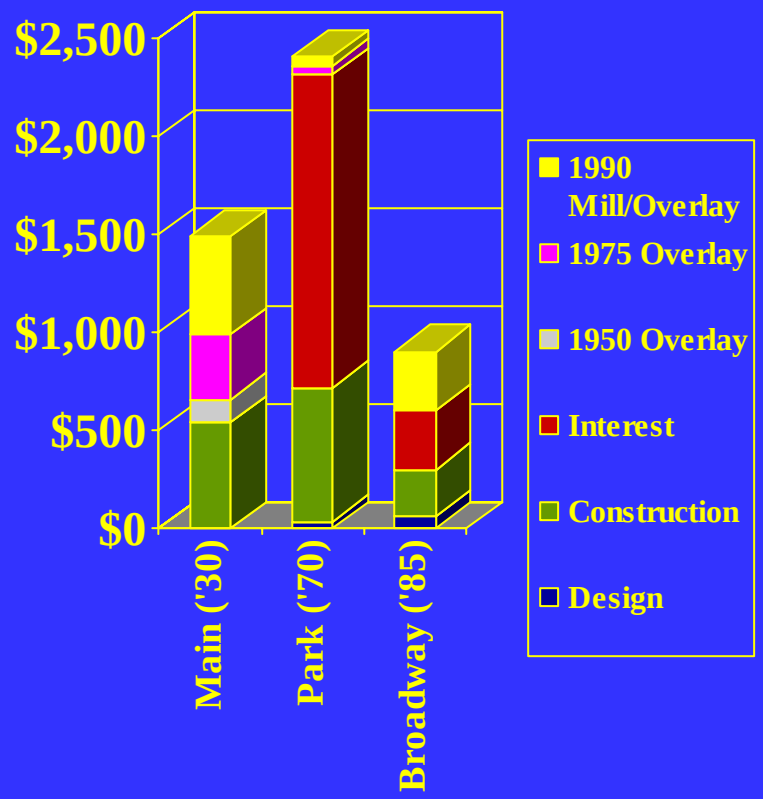
# Finding What You Have - Developing an Inventory

- Creating databases
- Importing existing data
- Gathering new data
- Categorizing



# Establishing "Cost", Age and Estimated Life

- Historic Cost of Infrastructure Assets may be Problematic
- Estimated Historical Cost
- Any Depreciation Method May Be Used
- Replacement Cost



# Modified approach requirements

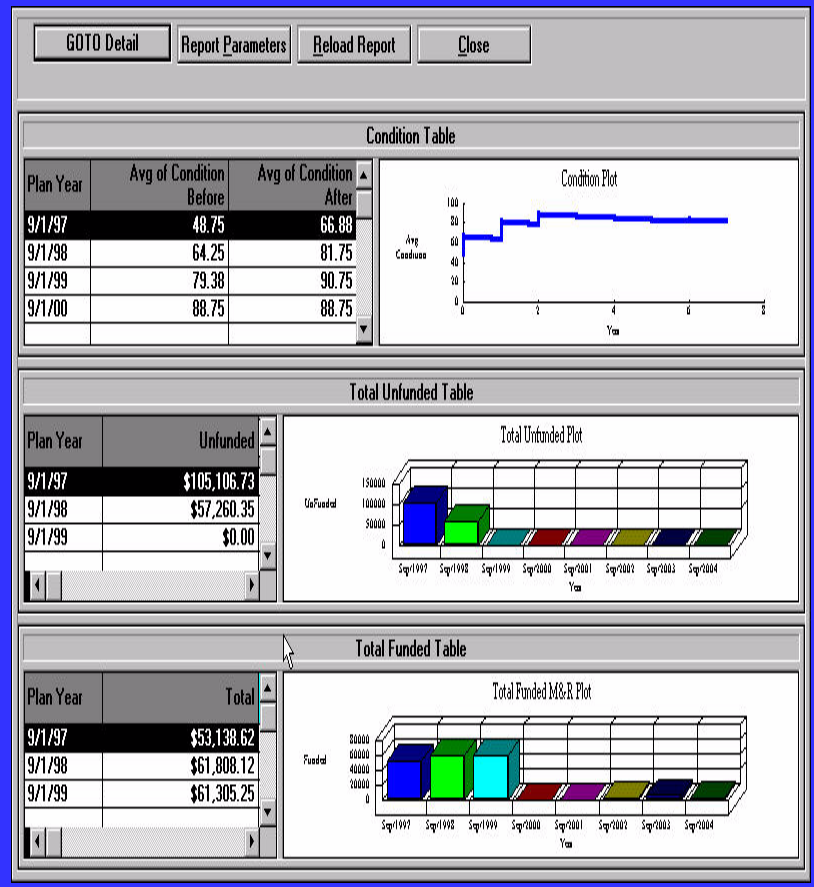
- Use an asset management system that has three defined features
- Preserve the assets at (or above) a condition level set by the government

# Asset management system features

- Up-to-date inventory of assets
- Perform condition assessments and summarize the results
- Estimate the amount to maintain and preserve the assets at government established condition level

# Establishing a Condition Rating System

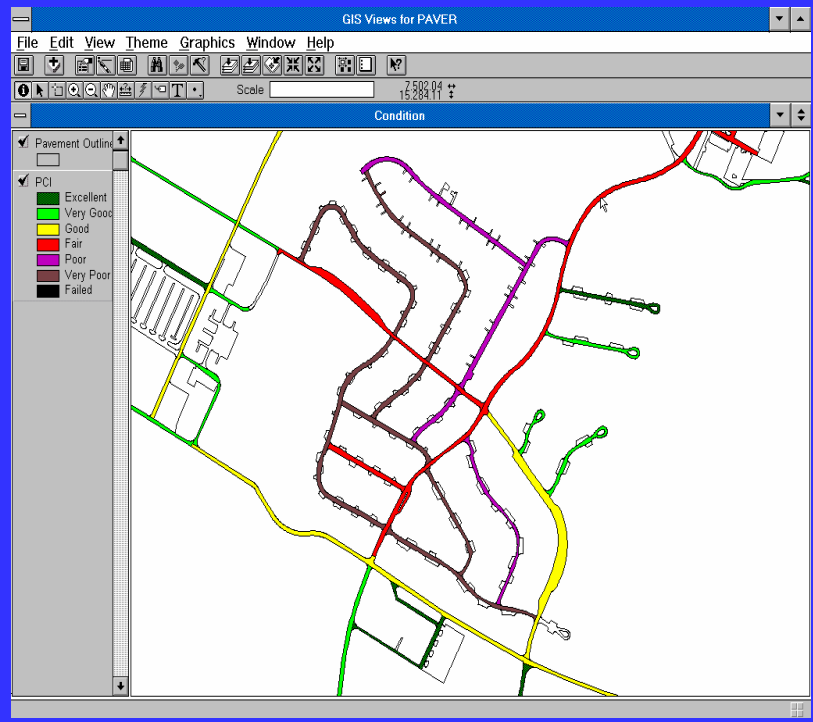
- Ideally established by formal policy
- Reproducible results
- Understandable
- Usable by operating departments



# Tools and Systems That are Already Available

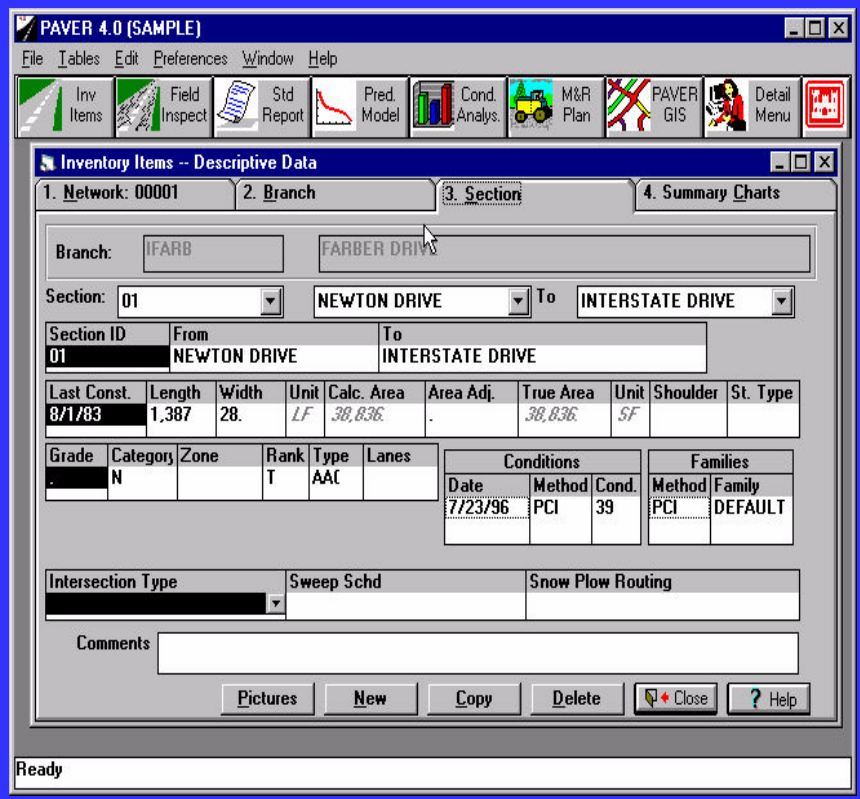
- Geographic Information Systems (GIS)
  - Bentley Systems, Inc.
  - Environmental Systems Research Institute, Inc.
  - Intergraph, Inc.

  (For Illustration Only-Not Endorsement)



# Tools and Systems That are Already Available

- Asset Management Systems
  - MicroPAVER
  - Pontis
  - CartéGraph Systems, Inc.
  - Hansen Information Technologies, Inc.

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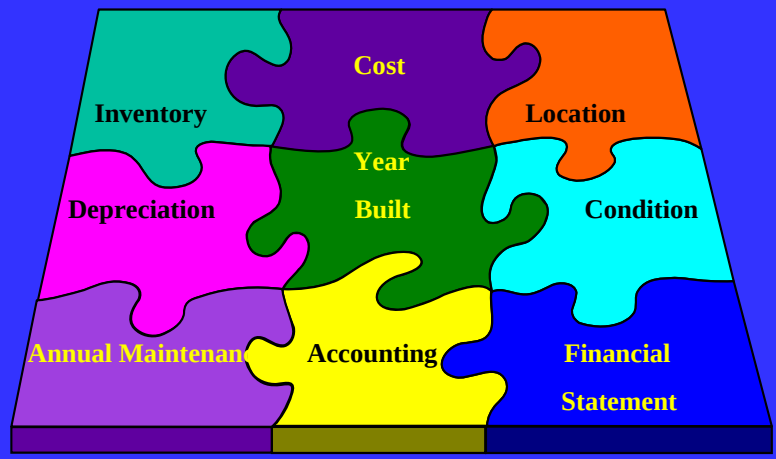
# Advantages and Drawbacks of the Modified Approach

- Advantages
  - Information Can Be Used for Operations Planning
  - Focuses on Outcomes and Asset Condition
  - Extends Life of Infrastructure by Minimizing Deferred Maintenance
- Drawbacks
  - Requires Systematic Asset Management Process
  - Declining Condition will be Obvious to Informed Citizens



# APWA Position

- Adopted December 2000
- Endorses GASB 34
- Encourages Use of Modified Approach

# Changing the Perception and Attitude of the Operating Departments

- Operating departments with infrastructure management responsibility must be part of the solution
- Change management is critical to successful implementation of GASB 34

# Capitalizing (sic.) on the Opportunity Offered by GASB 34

- Engineers and finance officers will become fast friends
- Full impact of infrastructure assets will be highly visible
- Asset management systems will emerge

# Creating a New Relationship Between Finance Officers and Infrastructure Managers

- Cooperative relationships will be essential

- Infrastructure managers and financial managers must work in a collaborative environment